



Council/Agency Meeting Held: _____		City Clerk's Signature
Deferred/Continued to: _____		
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied		
Council Meeting Date:	4/21/2008	Department ID Number: PW 08-27

**CITY OF HUNTINGTON BEACH  
REQUEST FOR CITY COUNCIL ACTION**

**SUBMITTED TO:** HONORABLE MAYOR AND CITY COUNCIL MEMBERS

**SUBMITTED BY:** PAUL EMERY, INTERIM CITY ADMINISTRATOR 

**PREPARED BY:** TRAVIS K. HOPKINS, PE, DIRECTOR OF PUBLIC WORKS 

**SUBJECT:** Approve Letter of Credit in lieu of Bond from Rainbow Disposal Co., Inc.

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)
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**Statement of Issue:** Rainbow Disposal Co., Inc. has requested to submit an Irrevocable Standby Letter of Credit in lieu of the performance bond required by the July 3, 2006 franchise agreement.

**Funding Source:** No funding is necessary for this action.

**Recommended Action:** Motion to:

Approve acceptance of a \$1 million irrevocable standby Letter of Credit in lieu of performance bond in a form approved by the City Attorney and the City Treasurer.

**Alternative Action(s):**

Do not approve acceptance of a Letter of Credit in lieu of bond.

*E-6*

## REQUEST FOR CITY COUNCIL ACTION

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**Analysis:** On July 3, 2006, City Council approved a revised franchise agreement for trash hauling services with Rainbow Disposal Co., Inc. (Rainbow). The terms of the revised agreement increased the required performance bond amount from fifty thousand dollars (\$50,000) to one million dollars (\$1,000,000). Rainbow has requested to furnish a \$1 million Irrevocable Standby Letter of Credit (L/C) in lieu of the required bond in a form substantially similar to the sample attached. Staff recommends that City Council authorize the acceptance of the L/C in lieu of performance bond to satisfy the terms of the franchise agreement.

**Public Works Commission Action:** Not required.

**Strategic Plan Goal:** C-2: Provide quality public services with the highest professional standards to meet community expectations and needs, assuring that the City is sufficiently staffed and equipped overall.

**Environmental Status:** Not applicable.

**Attachment(s):**

City Clerk's Page Number	No.	Description
3	1.	Sample Letter of Credit

E6.3

# ATTACHMENT #1

**INTENTIONALLY  
LEFT  
BLANK**

Irrevocable Standby Letter of Credit No. \_\_\_\_\_

SOUTHERN CALIFORNIA  
TRADE SERVICE OPERATIONS  
1980 Saturn Street, V01-519  
Monterey Park, California 91755-7417  
Attention: Standby Letter of Credit Section

Date: [Bank Use Only]

**BENEFICIARY**

City of

**APPLICANT**

Rainbow Disposal Co Inc.  
17121 Nichols St.  
Huntington Beach, CA 92647

Currency: USD  
Amount: \$  
Available by: Payment at this office.  
Expiry Date: [Insert date \_\_\_\_\_] 2008 or any automatically extended date as herein set forth at the close of business of this office in Monterey Park, California

Ladies/Gentlemen:

At the request and for the account of Rainbow Disposal Co Inc. located at 17121 Nichols St. Huntington Beach, CA 92647, we hereby establish our Irrevocable Letter of Credit in favor of the City of ("City") in the amount of (\$ \_\_\_\_\_). This Letter of Credit is available with us at our above office by payment of City draft(s) drawn on us at sight accompanied by City's signed and dated statement worded as follows:

"The undersigned, the City Administrator of the City of ("City"), hereby certifies that (1) Rainbow Disposal Co, Inc. has failed to perform, as required by the City pursuant to the Fill in the Blank (construction performance bond or trash collection agreement dated) and (2) the amount of the accompanying draft drawn under Union Bank of California, N.A. represents the amount the City is entitled to draw as a result of such event of default."

Each draft must also be accompanied by the original of this Letter of Credit for our endorsement on this Letter of Credit of our payment of such draft.

Partial and multiple drawings are permitted under this Letter of Credit.

Each draft must be marked "**Drawn under Union Bank of California, N.A., Letter of Credit No. \_\_\_\_\_**".

This Letter of Credit shall be deemed automatically extended without an amendment for a one year period beginning on the present expiration date hereof [Insert date at time of issuance \_\_\_\_\_] 2008, and upon each anniversary of such date, unless at least sixty (60) days prior to any such expiration date we have sent the City's Director of Public Works written notice by courier service or overnight mail that we elect not to permit this Letter of Credit to be so extended beyond, and will

EXHIBIT FOR STANDBY LETTER OF CREDIT APPLICATION:  
THIS EXHIBIT, IN THIS FINAL FORM, IS AN INTEGRAL PART OF AND MUST BE ATTACHED TO  
UNION BANK OF CALIFORNIA, N.A. APPLICATION AND AGREEMENT FOR  
IRREVOCABLE STANDBY LETTER OF CREDIT DATED \_\_\_\_\_  
APPLICANT: RAINBOW DISPOSAL CO., INC.

expire on its then current expiry date. No presentation made under this Letter of Credit after such expiry date will be honored.

All banking charges under this Letter of Credit are for the account of the Applicant.

Draft(s) and document(s) under this Letter of Credit must be presented for payment at:  
Union Bank of California, N.A. Southern California Trade Service Operation, 1980 Saturn Street, V01-519, Monterey Park, California, 91755-7417 Attention: Standby Letter of Credit Section.

If requested by City, payment of City conforming drawing(s) under this Letter of Credit will be made in immediately available funds of Union Bank of California, N.A. by wire transfer to City's account with a bank designated by City which is a member of the Federal Reserve System. If City does request that any such payment be made by wire transfer to an account with another bank or to an account with us, we and/or such other bank may rely on an account number specified in such request as long as the account number identifies the City of Huntington Beach as the intended payee.

This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, and engages us in accordance with the terms thereof.

We hereby engage the City that each draft drawn and presented to us in compliance with the terms and provisions of this Letter of Credit will be duly honored by payment to City of the amount requested.

Very truly yours,  
UNION BANK OF CALIFORNIA, N.A.

BY: \_\_\_\_\_  
(Authorized signature)

E6.5

APPLICANT'S SIGNATURE \_\_\_\_\_

APPLICANT'S SIGNATURE \_\_\_\_\_

DATE OF APPLICATION \_\_\_\_\_

DATE OF APPLICATION \_\_\_\_\_